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Welsh Government

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Houses into Homes: Second Interim Evaluation Report Executive Summary

Executive Summary

Social research

Number: 61/2013

This report details findings to emerge from the evaluation of the *Houses into Homes* scheme during the first year of delivery (April 2012 to March 2013). The evaluation will continue through to 2015.

Headline Findings

- A total of 241 applications for Houses into Homes loans were received by local authorities in Wales in 2012/13. By 31 March 2013, 45 loans had been approved, 179 were being processed, four had been rejected and one application was received after a deadline set by a local authority.
- There was an increase in 2012/13 in direct actions by local authorities to tackle empty homes. It is difficult to directly attribute this increase to the introduction of Houses into Homes, although the scheme was reported to have raised the profile of empty homes work within local authorities in Wales.
- Suggestions made by local authority officers and regional coordinators for improving the scheme include simplifying the application process and increasing demand by extending eligibility.
- Local authorities anticipate some minor changes in their operation of the scheme in 2013/14, including an increase in works in default and greater attention to the potential for Houses into Homes to support delivery of other strategic objectives, such as promoting an increase in the supply of smaller properties in response to welfare reform.

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Analysis for Policy

Background

Bringing empty properties back into use will help with efforts to increase supply and choice, improve housing conditions and meet housing need in Wales.

Recognising this fact, the Welsh Government has set itself the target of bringing 5,000 properties back into use during the current term of government (2011-2016)¹.

A new empty properties initiative has been introduced to help deliver on this objective. The Houses into Homes scheme was launched in April 2012. It makes available loans to bring empty residential properties or commercial buildings back into use as homes for rent or sale. When the work is complete, the property must be sold or rented out. The loans are paid before work commences, are interest free and must be paid back within two or three years depending on whether the property is sold or let. A £10 million fund was created by Welsh Government to support the scheme in 2011/13.

Methods

A team from the Centre for Regional Economic and Social Research, Sheffield Hallam

¹ <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

University has been commissioned by the Welsh Government to conduct an evaluation of the Houses into Homes scheme. The aim is to monitor effectiveness, impact and added value of the scheme, and to provide accountability for the use of public funds. Impacts are monitored through the ongoing collection of data from local authorities about direct actions to bring properties back into use, including applications received and loans granted under the scheme.

Delivery processes are being evaluated through regular contact with nominated leads in each of the six regions and through an annual e-survey of all 22 local authority leads. The evaluation will report at agreed points during the three years of the programme. This summary provides an overview of findings to emerge during the first year of the scheme, from April 2012 to March 2013.

Key Findings

Applications and Loans Approved (April 2012 - March 2013)

A total of 241 applications for Houses into Homes loans were received by local authorities in Wales in 2012/13. By 31 March

2013, 45 loans had been approved, 179 were being processed, four had been rejected and one application was received after a deadline set by a local authority. The number of loans approved varied between local authorities. The total value of the 45 approved loans was £2,032,169. A total of 90 residential units will be provided by bringing these 45 properties back into use. The majority will provide accommodation for rent and almost half will provide affordable accommodation. The 45 properties being brought back into use had been empty for an average of almost six years.

Six of the approved loans were to limited companies and 39 were to individual owners. The average loan value for properties being brought back into use by a limited company was more than double the average value of loans granted to individual owners. Average private sector leverage was also far larger for approved loans granted to limited companies. These applications were also more likely to increase the number of units provided.

Local authorities had received 805 enquiries about Houses into Homes loans that were yet to result in an application. In 94 cases owners indicated that they would be submitting an application. A total of 69 owners had been signposted to another empty homes intervention. Regional coordinators were asked what they thought were the main reason for the gap between enquiries and applications. Two factors were identified by all six regional coordinators; owners struggling with or put off by the complexity of the application process and the costs associated with making an application. A problem identified by four regional coordinators was that the equity value of the property does not allow some owners to apply for a loan to cover the full cost of the works given the 80 per cent loan to value ratio applied under the scheme (the loan cannot exceed 80 per cent of the value of the property minus any outstanding loans against the property, such as a mortgage).

Available evidence suggests that local authorities have been successful in meeting the target set

by the Welsh Government of drawing down the full £10 million of capital funding in the financial year 2012/13 against applications received. It also appears that the loans approved and loans being processed in 2012/13 will provide more than the 450 units that local authorities originally indicated would be brought into use when claiming the £10 million of Houses into Homes funding from the Welsh Government.

Empty Homes Activity in Wales

Analysis reveals an increase in direct actions² by local authorities to tackle empty homes in 2012/13 and an increase in the number of properties brought back into use. In 2012/13, a total of 1,097 empty properties were brought back into use, providing 1,152 units of accommodation, a seven per cent increase compared to the situation in 2011/12. The situation varied across Wales, 14 local authorities reporting an increase in the number

of units brought back into use, six reporting a decrease and one reporting no change. The reasons for this variation are unclear, but one regional coordinator suggested that, in the short term, staff in some local authorities were diverted away from other empty homes work to get Houses into Homes up and running. This could have resulted in a temporary reduction in empty properties back into use, which is likely to be reversed in subsequent years as works supported by Houses into Homes are completed and properties begin to be brought back into use through the scheme. Those local authorities able to provide data reported an increase between 2011/12 and 2012/13 in the proportion of homes returned to use as affordable housing and an increase in the number of bedrooms provided per unit. The increase in the number of empty properties brought back into use appears to reflect an increase in direct actions taken by local authorities. 1,809 direct actions were taken by local authorities on empty properties brought back into use in 2012/13, compared to 1,372 direct actions in 2011/12 (an

² Examples of direct action are: grants, loans or other financial assistance either provided or facilitated by the authority, providing advice, referral to another organisation with relevant expertise, enforcement action, or ownership enquiries and follow up action.

increase in the average number of direct actions per property brought back into use from 1.3 to 1.6). The provision of financial assistance and threat of enforcement action remained two of the more common forms of direct action in 2012/13, in addition to advice and guidance.

It is difficult to directly attribute the increase in direct actions to the introduction of Houses into Homes, although the scheme was reported to have raised the profile of empty homes work more generally within local authorities in Wales. In addition to providing local authorities with an additional tool to tackle the problem of empty homes, Houses into Homes was reported to have resulted in an increase in corporate commitment and spending to tackle the problem of empty homes, an increase in staff working to bring empty properties back into use, better intelligence about the problem of empty homes, and improvements in collaborative working within and between local authorities and their partners.

It is difficult to link the increase in properties brought back into use in

2012/13 to the 45 Houses into Homes loans issued during the year; only one property was recorded as being brought back into use as a result of works funded by a Houses into Homes loan in 2012/13. This is to be expected given that the first loans were only approved in Autumn 2012.

However, at the end of the first year of the scheme a majority of local authority empty homes officers predicted that an increase in the number of empty properties brought back into use would become apparent in the longer term as a result of Houses into Homes.

Delivering Houses into Homes in 2012/13

In the first year of the Houses into Homes scheme, the infrastructure required to deliver the scheme was designed, developed and implemented. Local authorities marketed the scheme and applications were generated against which the full £10 million of capital funding made available by the Welsh Government in 2012/13 was drawn down. Local authorities commenced approving loans in September 2012. Some

challenges were reported delivering Houses into Homes in 2012/13. These included aspects of the scheme that were reported to discourage applications (such as the timescale for repayments, the 80 per cent loan to value ratio and the exclusion of owners wanting to occupy the property upon completion of works) and the difficulties some owners encountered negotiating the application process. In response, local authority empty homes officers and regional coordinators identified two key ways in which the scheme might be improved. First, simplifying the application process, reducing the administrative burden on applicants and increasing the efficiency of the approval process. Second, increasing demand for the scheme and bringing more empty properties back into use by extending eligibility and increasing the repayment period.

The regional groups were reported to have made an important contribution to the delivery of Houses into Homes and brought various benefits in their wake. Key among these was providing a forum in which local authorities

could share experiences and seek advice and guidance. No notable problems were raised with the operation of regional groups, but suggestions were forthcoming about how their contribution might be enhanced. These included granting regional groups more autonomy to determine the specifics of the scheme in their region and appointing a dedicated officer to facilitate closer and more effective collaboration between local authorities in the region on empty homes issues.

The national steering group was reported to have generated momentum behind delivery of Houses into Homes during its first year and to have provided a valuable forum in which regions could share experiences, secure advice and guidance and raise issues directly with the Welsh Government. Regional coordinators suggested that the remit of the group might be extended beyond Houses into Homes to address empty homes issues more broadly.

Some minor changes were anticipated in the delivery of

Houses into Homes in 2013/14. These included an increase in the number of local authorities utilising Houses into Homes funds to conduct works in default³ and increasing attention to the potential for Houses into Homes activities to support delivery of other strategic objectives, such as promoting an increase in the supply of smaller properties in response to welfare reform. Potential risks to the successful delivery of the scheme in 2013/14 were identified as including the possibility of faltering demand and a reduction in officer input to the scheme.

Evidence emerged of various additional benefits arising from the scheme. In particular, the majority of local authority empty homes officers reported that Houses into Homes was helping their local authority address strategic priorities in other policy areas including regeneration, neighbourhood renewal, public health, homelessness, affordable housing,

³ In some circumstances a local authority will pay for works to be carried out on a property and recover the costs, including staff time, from the owner. Works in default is sometimes the most effective way of ensuring necessary repairs and maintenance are carried out on a property.

housing needs, and training and employment. One local authority officer, for instance, explained that empty homes being brought back into use were providing urgently needed accommodation for homeless households in priority need of accommodation.

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Welsh Government Social
Research, 2013

ISBN: 978-1-4734-0343-7

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